

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
AUDIT AND COMPLIANCE BRANCH**

**RESOLUTION W-4298
November 8, 2001**

R E S O L U T I O N

**RESOLUTION W-4298. WATERTEK, INC. (WATERTEK),
INDIAN SPRINGS DISTRICT (ISD). ORDER
AUTHORIZING AN INTERIM GENERAL RATE
INCREASE, SUBJECT TO REFUND, PRODUCING
ADDITIONAL GROSS ANNUAL REVENUE OF \$23,642
(33.9%).**

By Draft Advice Letter Filed on June 27, 2001.

SUMMARY

This Resolution grants Watertek, a sewer utility, an interim increase in gross annual revenue of \$23,642 for its ISD, subject to refund. The increase will provide Watertek with no rate of return on its rate base, but with sufficient monies to pay for current cash operating expenses in this district.

By Draft Advice Letter filed June 27, 2001, Watertek requests authority under Section VI of G.O. No. 96-A and Section 454 of the P.U. Code to increase rates in the ISD by \$58,113 or 83.38%, in the year 2001.

BACKGROUND

Watertek provides sewer service to the subdivisions of Oak Hills, Indian Springs, and the community of Spreckels, in the vicinity of Salinas, Monterey County. There are approximately 176 flat rate customers in ISD. Watertek also provides water service to customers in its Grandview District and owns the Metropolitan Water Company.

Pursuant to its 2000 Annual Report, Watertek reported that ISD generated total operating revenues of \$69,826, with a net loss of \$4,605. In view of the negative cash flow problem, the owner of Watertek has absorbed costs that normally would be included in

rates. Watertek's filing indicates that system repairs to the existing sewer system and manpower support are likewise needed to continue operations and service.

ISD's current rate became effective December 26, 1997 pursuant to Decision (D.) 97-10-013.

NOTICE AND PROTESTS

Watertek notified its ISD customers of the interim rate increase by letter dated August 16, 2001. A revised notice was sent to these customers on October 5, 2001. No protests have been received.

The Water Division will be holding an informal public meeting to discuss Watertek's general rate increase request for ISD.

DISCUSSION

As part of the Risk Order Instituting Investigation (Risk OII, I.90-11-033), the Commission, in D.92-03-093, adopted new policies in response to the growing economic crisis that threatened the small (Class C and Class D) investor-owned water utility's ability to deliver clean, safe drinking water. Through D.92-03-093, the Commission determined that traditional ratemaking policies which were satisfactory for large water utilities were only sporadically successful in coping with the problems of the smaller Class C and Class D water utilities. Some of the policies adopted included simplified rate filings based on the Consumer Price Index, a new method to recover unanticipated repair costs deemed critical to continued service, an increased range of rate of return, and a number of streamlined procedures to simplify and speed regulatory review in order to encourage small water utilities to see Commission review of their operations as part of a more substantial adjustment in rates.

The Commission's on-going concern regarding the processing time for small water utility's transactions resulted in the creation of the Service Guarantee Plan for Small Water Companies (Plan) issued February, 1996. The Plan provides an almost immediate simple mechanism to process an interim rate increase, usually within 45 days of filing. The interim increase, subject to refund, is based on a cash flow analysis. The analysis determines how much the utility needs to operate and to pay bills, including debt service. This Resolution implements this mechanism for Watertek's ISD.

The Audit and Compliance Branch initially prepared a cash flow analysis for ISD and estimated that the amount of \$4,001, or 5.73%, was necessary for Watertek to meet its cash flow requirements. The Advisory Branch revised this amount after further investigation revealed that Watertek had not been fully accounting its expenses. It was then determined that gross annual revenues would need to be increased to \$23,642, or 33.9%, in order for Watertek to meet its actual cash flow requirements for ISD.

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In order to respond to Watertek's negative cash flow problem in ISD, the Water Division recommends the proposed interim rate shown below be granted, subject to refund, pending the final result of the staff investigation needed to set permanent rate. The proposed interim rate follows:

Indian Springs District

	<u>Per Month Present</u>	<u>Interim Proposed</u>
For each residential and small commercial service connection	\$33.00	\$44.19

This is an uncontested matter in which the resolution grants an interim rate increase subject to refund, pending determination of permanent rates. Accordingly, pursuant to PU Code 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

FINDINGS

1. The interim rate recommended by the Water Division (Appendix A) is reasonable and should be adopted.
2. The rate increase authorized herein should be subject to refund pending the completion of the staff investigation of Watertek's general rate increase request.
3. There are no formal protests received.

THEREFORE, IT IS ORDERED THAT:

1. Watertek, Inc. is authorized to file an advice letter adopting the revised Schedule No. 2, Flat-Rate Service, attached to this Resolution as Appendix A, and to concurrently cancel its presently effective rate schedule. Its filing shall comply with General Order 96-A. The effective date of the revised schedule shall not be earlier than five days after the date of its filing.
2. The rate increase authorized herein is subject to refund pending final resolution of Watertek, Inc. Indian Springs District permanent rate increase request.

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3. The Advice Letter and tariff sheets shall be marked to show that they were authorized by Resolution W-4298.
4. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on November 8, 2001; the following Commissioners voting favorably thereon:

WESLEY M. FRANKLIN
Executive Director

LORETTA M. LYNCH
President

RICHARD A. BILAS

CARL W. WOOD

GEOFFREY F. BROWN

Commissioners

Commissioner Henry M. Duque,
being necessarily absent, did not
participate.

APPENDIX A

Schedule No. 2

FLAT-RATE SERVICE

APPLICABILITY

Applicable to all flat-rate service.

TERRITORY

Subdivisions of Oak Hills and Indian Springs, and the community of Spreckels, in the vicinity of Salinas, Monterey County.

RATES

	<u>Per Quarter</u>		<u>Per Month</u>
	<u>Oak Hills</u>	<u>Spreckels</u>	<u>Indian Springs</u>
For each residential and small commercial service connection	\$64.66	\$107.00	\$44.19 (I)
For each service connection of a school		\$160.00	
For each service connection of a commercial establishment with 4 or more employees		\$214.00	
For each industrial service connection		\$641.00	

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

(D)

2. Spreckels customers may remit quarterly bills in three equal installments on the first day of the month.